

U.S. For-Profit Higher Education *Evolution, Growth, Tension*

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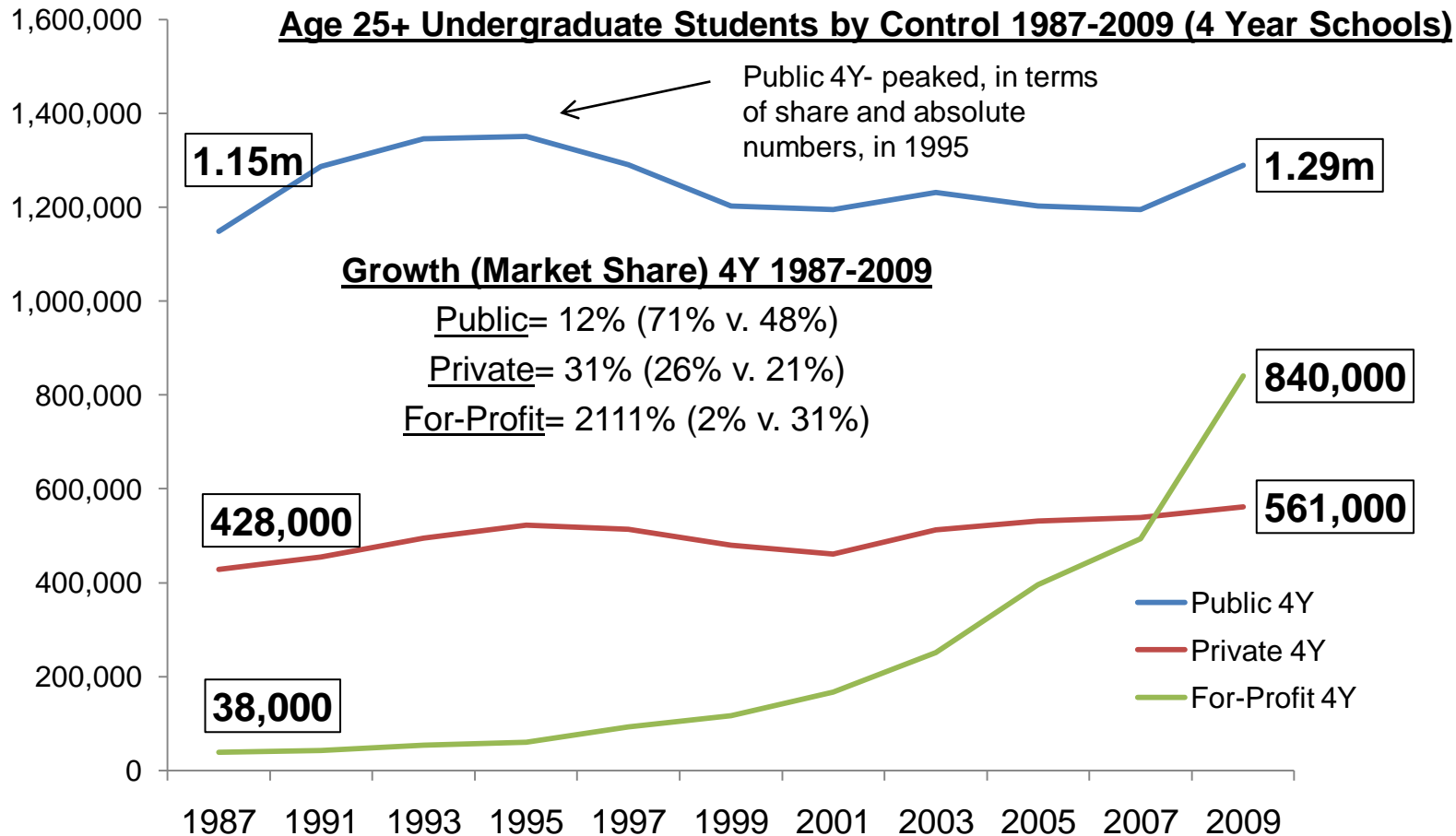
Overview

- Evolution & Characteristics of For-Profit Higher Education in the U.S.
- Growth & Impact- Adult Enrollment
- Regulatory Responses- Opportunities and Challenges for the Future

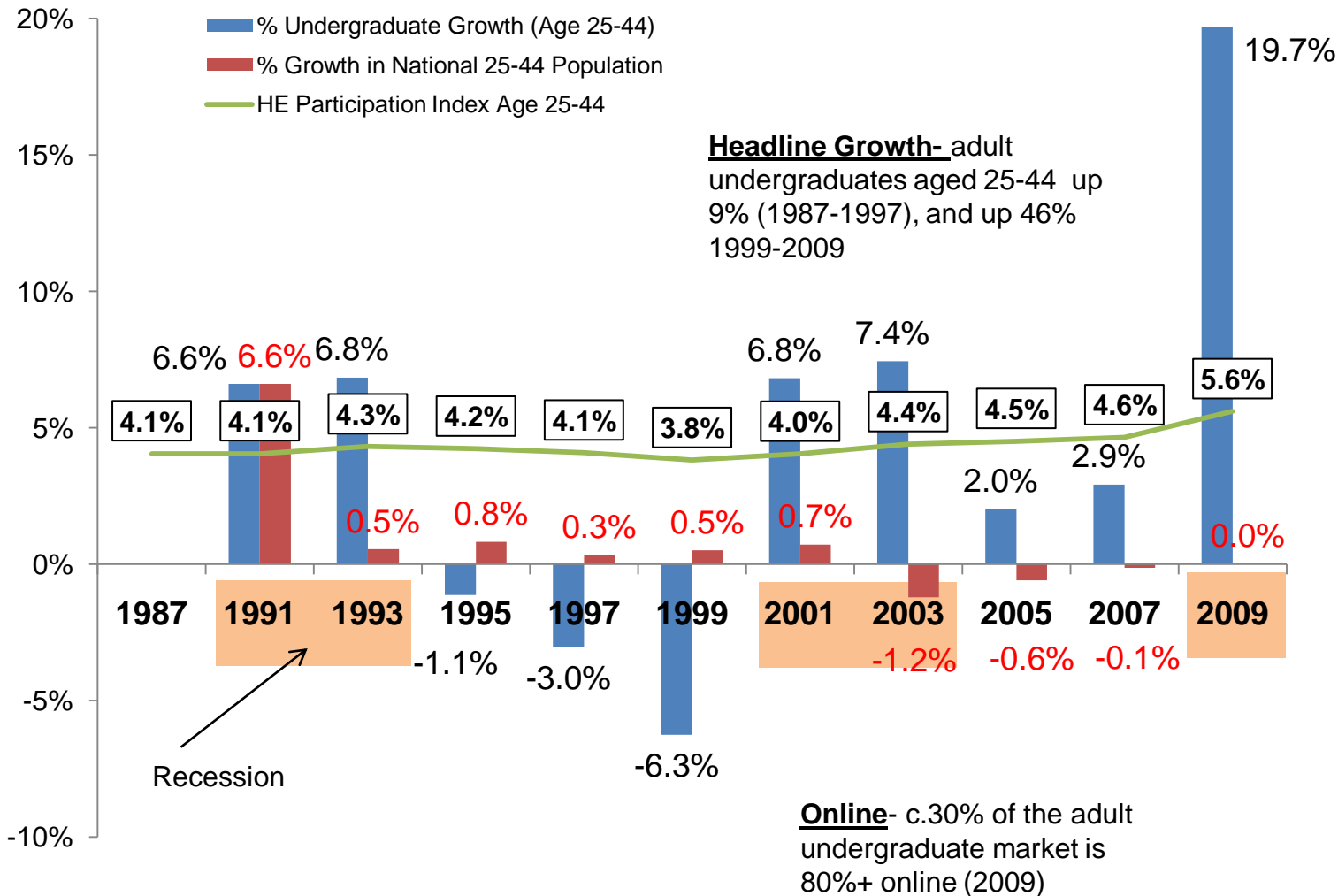
Transformation of U.S. For-Profit Higher Education

- U.S. for-profit higher education is not new, and is very diverse
- Past 15 years have witnessed a dramatic change in the scale, nature and ambition of U.S. for-profit schools
 - Key Shifts- non-degree to degree, national to regional accreditation, undergraduate to also graduate education, local to regional/national, family-owned to publicly-traded; nonprofit takeovers
 - Offerings and Branding- career-oriented programs, customer service, little or no sports/cultural facilities, multiple functional sites/online; many adjunct faculty; centralized curriculum; significant targeting of very non-traditional students; assertion that “working adults” have been neglected by nonprofit schools
 - First admitted to federal financial aid in 1972; distinct definition of a higher education institution tied to gainful employment; 90/10 rule; degree-granting for-profits permitted in every U.S. state except Rhode Island
 - Today- over 1,600 degree-granting for-profit schools in the U.S. (c.30% of total)
 - Degree-granting for-profits up from c.370,000 students in 1997 to over 2 million in 2010 (440% growth- compared to c.50% for U.S. higher education as a whole)
 - In 2010, degree-granting for-profits schools represented c.10% of all students at degree-granting schools in the U.S.
 - In 2008/09, degree-granting for-profits reported \$20.5 billion in revenue, and >\$3 billion in profit. Bulk of for-profit revenue derived from federal financial aid (90/10 rule)- get 25% of Pell Grants, and account for 44% of federal student loan defaults
 - Online delivery has been key to rapid growth and national reach- Eduventures estimates that 60%+ of 4-year for-profit headcount is online, and for-profits command c.40% of the online program market in the U.S.

Adult Undergraduate Growth Driven Strongly by For-Profit Schools

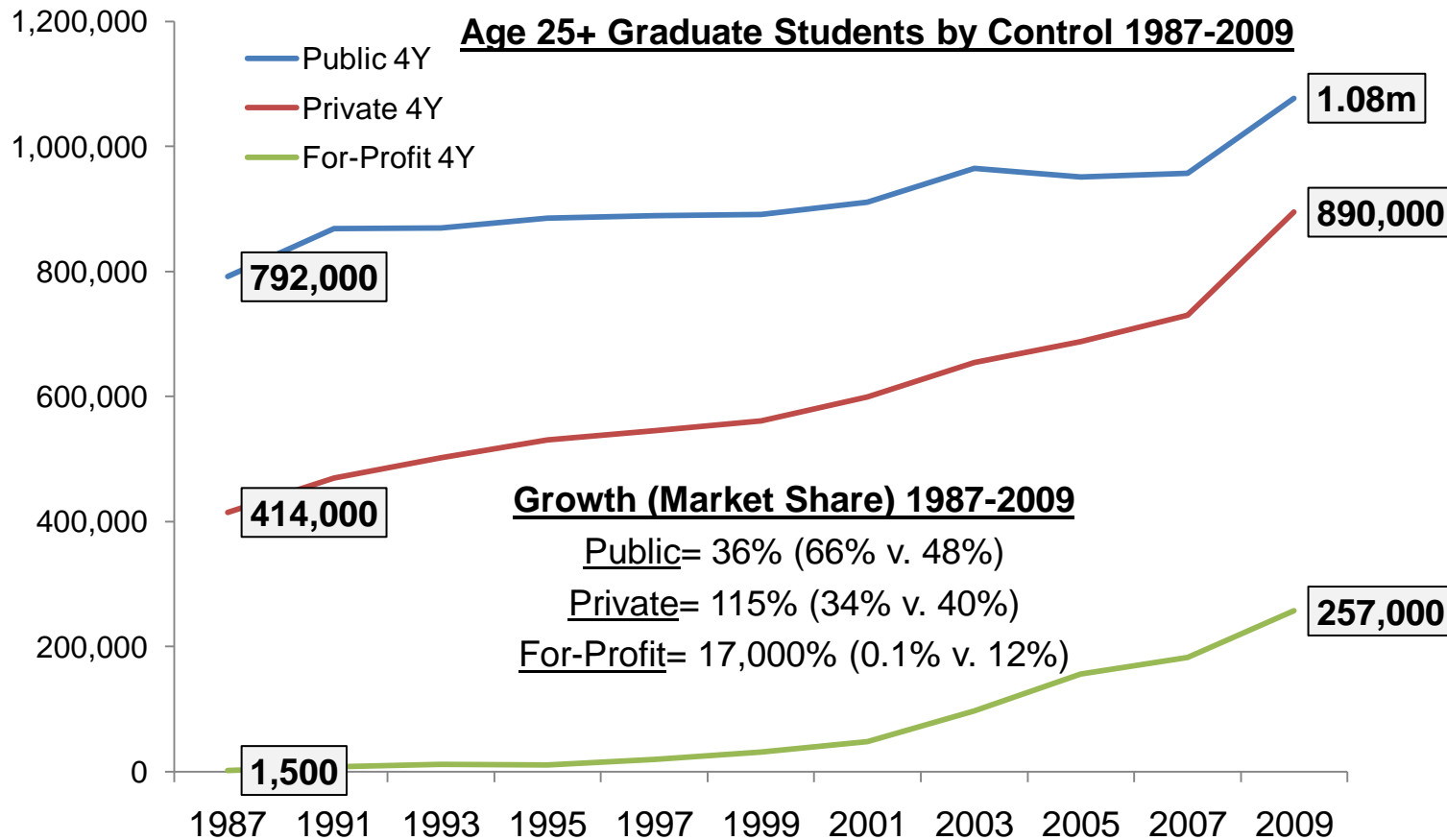


Explaining Adult Undergraduate Participation: focus trumps demographics; economy trumps focus

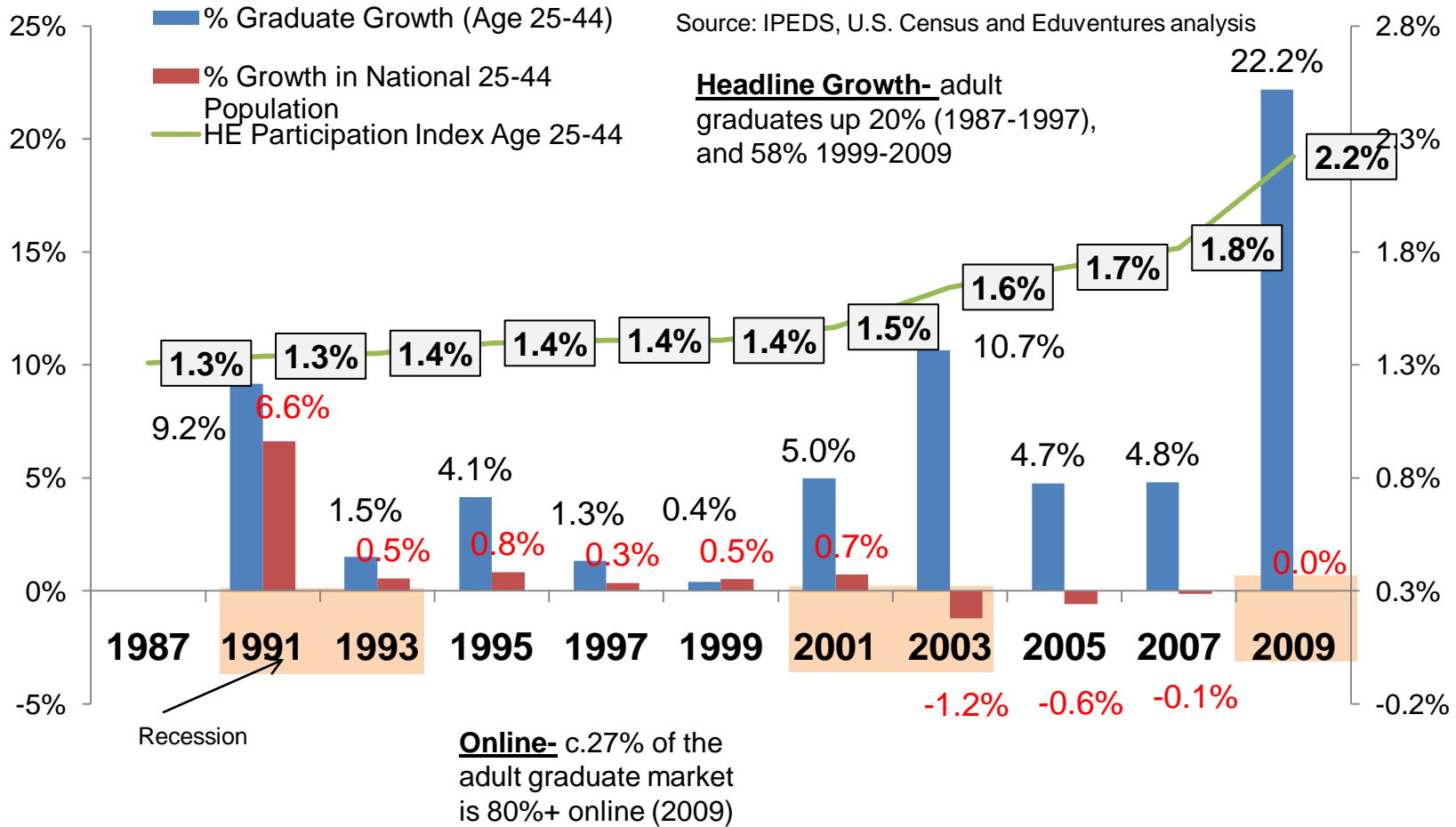


Source: IPEDS, U.S. Census and Eduventures analysis

Strong adult graduate growth across all sectors; for-profit contribution to date much more limited than at undergraduate level



Explaining Adult Graduate Participation- strong momentum from small base; power of institutional focus and counter-cyclicality



For-Profit Value Proposition, Market Position & Evidence

Value proposition- how does for-profit higher education describe itself?

Market position- how is for-profit higher education perceived?

Evidence- what evidence do we have to adjudicate value proposition v. market position?

- **Value proposition**- career-oriented, applied, convenient, customer service, practitioner faculty, adult/non-traditional student-focused
- **Market position**- all of the above, plus: poorly defined/understood, peripheral “sector”, pervasive marketing, marketing spin/hype, enrollment driven by marketing not value; perceived tension with higher education norms, perceived second rate/second choice, profit status either poorly understood or “cause for concern”, regulatory/media scrutiny, limited relations with non-profit higher education
- **Evidence**- basic scale and growth numbers; stock price; SEC reporting requirements, but not designed for higher education institutions; limited and confusing outcomes data (tensions with federal reporting norms); regional accreditation still leaves comparison questions; hard to succinctly state and quantify the for-profit “contribution”. Distinct representative body

For-Profit success prompted federal push-back; but may be key to long-term prospects

- Between 2009 and today, the U.S. has shifted to a very different place on the regulatory cycle
 - 2010 “Program Integrity” rules seek to strengthen state regulation, accreditation, oversight of distance learning and rapid enrollment growth, incentive compensation, credit hour, “Gainful Employment” etc
 - Rapid for-profit/online growth is the key driver behind federal concern- arguably, tension between enrollment scale and evidence of ROI to student/taxpayer grew too great
- New regulatory climate, plus counter-cyclicalities, has seen most major for-profits report flat or declined new enrollment, drop certain programs, raise admissions standards/orientation, change financial aid arrangements/monitoring, push further into bachelor’s/graduate, explore non-federal funding; as well as lobbying against the new rules, arguing student access/choice will be curtailed
- Despite the current “pain” the sector is experiencing, regulatory push-back could be the missing catalyst to force renewed evolution. A for-profit that could innovate on student experience/outcomes, as well as customer service, would prove much more formidable competition for nonprofit higher education, and deepen the for-profit contribution to addressing U.S. higher education’s big challenges (cost, completion, access, outcomes)

Thank You

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